



**MCI Communications
Corporation**

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January 23, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

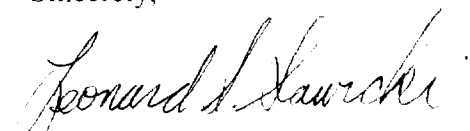
Re: CC Docket No. 94-129: Implementation of the Subscriber Carrier Selection
Provisions of the Telecommunications Act of 1996

Dear Ms. Salas:

Today, Wayne Huyard, Mary Sisak, Paul Eskildsen and I met with Richard Metzger, Robert Spangler, Cathy Seidel, Thomas Wyatt and Glenn Reynolds of the Common Carrier Bureau. The purpose of the meeting was to review MCI's position in this proceeding. In particular, we discussed third party verification (TPV) of sales, the cost of TPV, PC freezes, and third party PC administration. MCI estimated that the cost of TPV is \$1.00 to \$1.50 per sale and the cost of recording a verification would be less than five cents. The attached material was used during the presentation.

Please add this letter and the enclosed copy to the record of this proceeding.

Sincerely,


Leonard S. Sawicki

Attachments

cc: Mr. Metzger
Mr. Reynolds
Ms. Seidel
Mr. Spangler
Mr. Wyatt

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MCI/FCC Meeting

1/23/98

- **MCI Supports Tough Slamming Regulation and Enforcement in all Communications Markets**
- **MCI Strongly Supports Mandatory and Expanded Third Party Verification for all Sales Channels**
- **Slamming Rules Must Preserve Fair Competition and Reporting**

FCC MEETING

January 23, 1998

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SLAMMING IS AN INDUSTRY PROBLEM

- Mandatory Independent Third Party Verification (“TPV”) is the most effective solution available
- Letters of Authorization (“LOAs”) are NOT the solution, and in fact are part of the problem

WHAT IS TPV?

- Confirmation of Carrier switches by an independent third party verification company
- Carrier ownership interest in TPV company prohibited
- No sales commissions or other install-based incentives
 - TPV rep has no incentive to complete the sale

HOW DOES TPV WORK?

- Customer is either connected to the TPV rep after a sale is made, or receives a call back from the TPV rep
- TPV rep confirms essential information in short, consumer-friendly telephone transaction
 - one to two minute call
 - order installed only after sale is verified

BENEFITS OF TPV

- Proven effective method to reduce unauthorized conversions
- Consumer friendly
- Quick--avoids order entry delays
 - permits consumers to begin enjoying promised benefits sooner

BENEFITS OF TPV

- Acknowledges modern reality that most consumers want to deal with phone service issues over the telephone
- For sales originating through LOAs, catches “buyers remorse/changed mind” problems caused by LOA installation delays

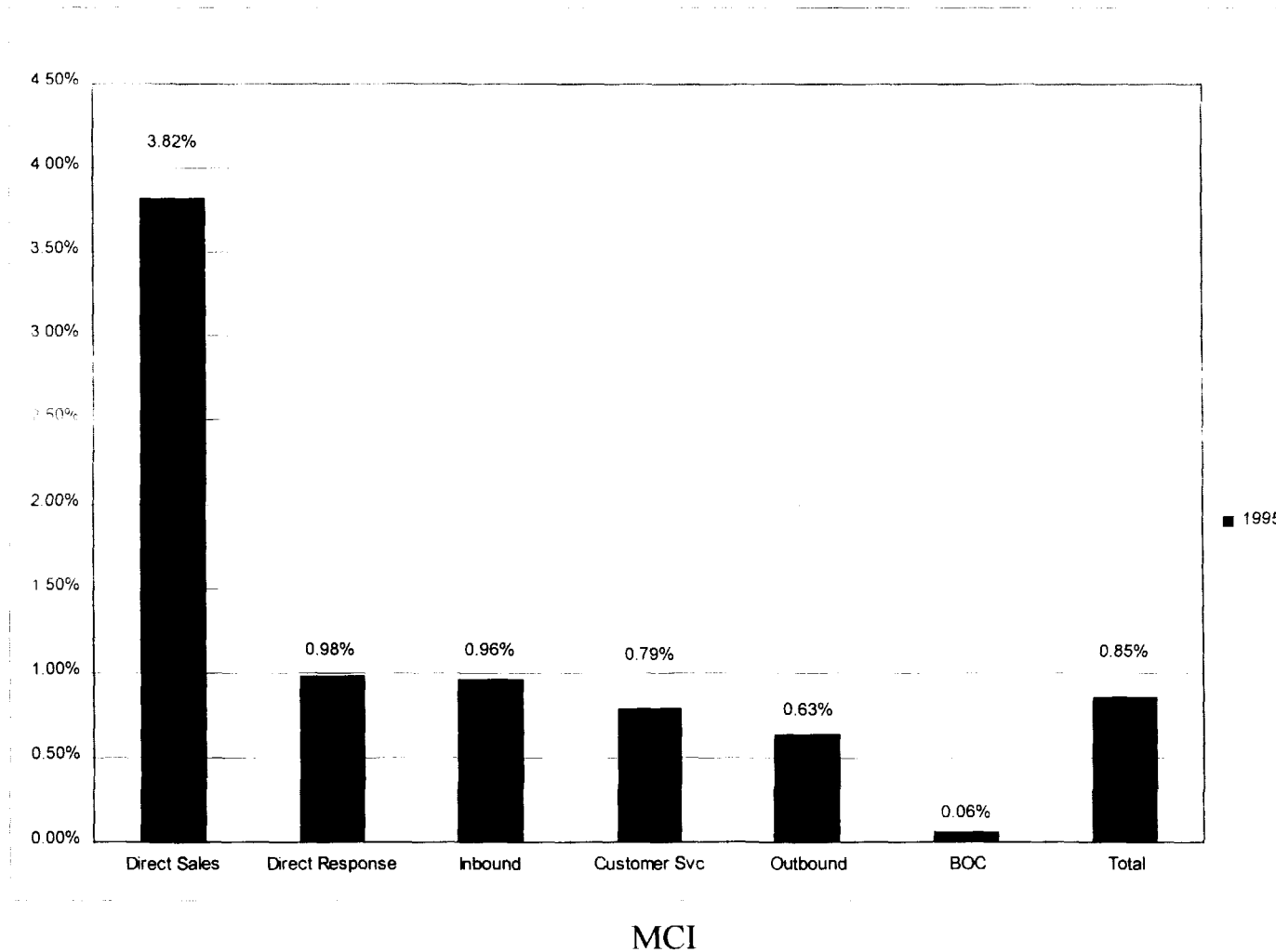
MCI TPV EXPERIENCE

- **Implemented TPV in 1992 for outbound telemarketing**
 - **TPV is one of four FCC authorized verification measures**
- **Resulted in demonstrable sales quality improvements and reductions in telemarketing complaints**
- **Less than 1/2 of one percent of all MCI sales generated from telemarketing result in PIC disputes or complaints**

MCI TPV EXPERIENCE

- Prior to MCI's expanded commitment to TPV, other non-telemarketing sales channels were source of concerns
- LOA-driven sales channels were the source of a disproportionately large % of MCI's PIC disputes and complaints
- Particular problems with direct sales agents who document sales through LOAs

1995 PIC Disputes VS. Installs



MCI TPV EXPERIENCE

- Majority of MCI sales occur over the telephone
- Direct sales and other sales channels not subject to TPV represent minority of new customer sales
- But stats show that these LOA-driven sales channels were the source of a disproportionately large # of complaints

MCI TPV EXPERIENCE

- MCI chart shows for 1995 that LOA-driven sales channel represented less than 20% than sales, but almost 50% of MCI's LEC-reported PIC disputes

INDUSTRY EXPERIENCE

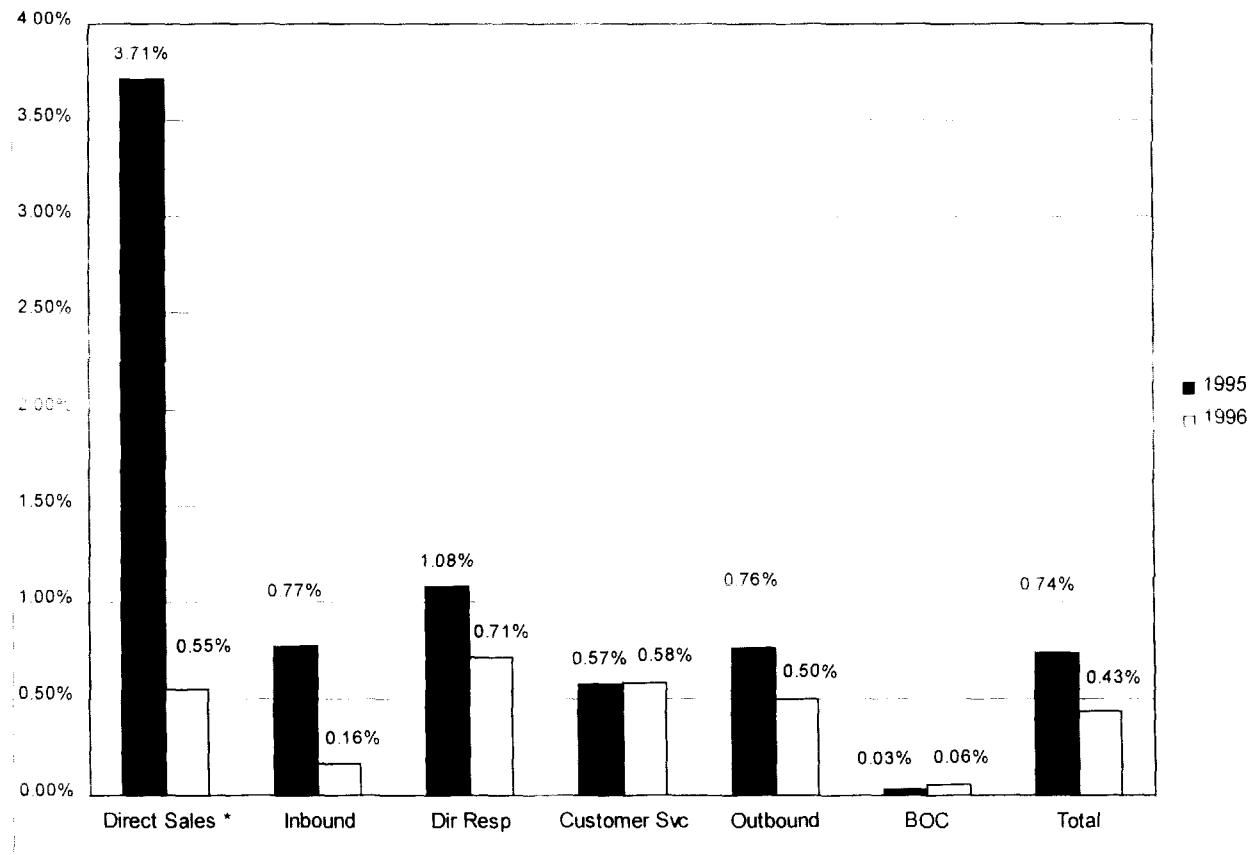
- Industry's growing problem is not telemarketing with TPV protections, but LOA sales
 - forgeries
 - deceptive sales methods, including check marketing, box marketing, etc.
 - telephone sales are a problem only when TPV protections are not in place

MCI's COMMITMENT TO TPV

- In early 1996, MCI made commitment to TPV for overwhelming majority of residential and small business sales
 - Fully implemented by 8/1/96
- Positive impact on sales quality, and substantial reduction of complaints from sales channels not previously subject to verification

TPV Results in Reduction of PIC Disputes

PIC Disputes Percentage: December 1995 VS. December 1996



* Adjusted for Year - End terminated agent situation.
MCI

BUSINESS IMPACT OF TPV

- Benefits far outweigh costs of implementation
- Critical importance of maintaining public confidence in carrier integrity
 - **carriers interested in attracting new customers need customer confidence in the industry's handling of their service**
 - **essential for local competition**
- Avoidance of costly customer service transactions to deal with complaints

BUSINESS IMPACT OF TPV

- Reduction in costly customer churn
- Reduction in costs associated with switching customers back to previous carriers, dispute resolution, etc.
- Reduction in LOA storage and handling costs
- Reduction in legal and regulatory disputes
- High customer satisfaction

MCI SLAMMING PREVENTION PROPOSAL

- FCC SHOULD ESTABLISH NATIONAL REGULATIONS
- ALL RESIDENTIAL AND SMALL BUSINESS SALES MUST BE VERIFIED THROUGH INDEPENDENT TPV
 - **should apply to all sales channels, including outbound and inbound TM, direct sales LOAs, check LOA marketing, etc.**

MCI SLAMMING PREVENTION PROPOSAL

- Should apply to ALL carrier switches--long distance, intraLATA and local
- Protections necessary to ensure that local and intraLATA switches requested by the consumer through direct contact with the prospective new LEC or intraLATA carrier receive TPV

INCONSISTENT STATE REGULATION

- **WITHOUT FCC ASSERTION OF JURISDICTION, TIDAL WAVE OF INCONSISTENT STATE REGULATION OF PIC CHANGE REQUIREMENTS WILL:**
 - **Impose barriers to competition**
 - **Substantially raise costs for carriers, which ultimately will be passed along to consumers**
 - **Impose unwieldy and consumer unfriendly processes and delays**
 - **Prevent efficiencies of nationwide processes and procedures**
 - **Conflict with national FCC regulatory scheme**
 - **Impose ineffective, and in some cases, harmful requirements that will not help curb slamming**

INCONSISTENT STATE REGULATION

- **RECENT EXAMPLES OF PROPOSED INCONSISTENT STATE LAWS OR REGULATIONS**
 - **Mandatory LOA laws or regulations**
 - South Dakota, Louisiana, Michigan, North Carolina
 - **LOA type size or verbiage requirements**
 - Texas--extensive required verbiage
 - Florida--font size
 - **Inconsistent additional TPV obligations**
 - Taping of TPV transactions
 - Florida, Minnesota, Louisiana
 - Specific verification script requirements
 - Louisiana
 - **Inconsistent remedial and penalty provisions**

INCONSISTENT STATE REGULATION

- **WIDE RANGING OTHER INCONSISTENT STATE REGULATIONS**
 - **Pic freeze communications**
 - **Mandatory rate notifications**
 - **Post-sale customer communication requirements**
 - **Additional telemarketing restrictions that will curb interstate telemarketing sales practices**
 - **Caller id**

INCONSISTENT STATE REGULATION

- **MCI PROPOSAL:**
 - **FCC should establish broad, strict national regulations, and preempt inconsistent state regulations**
 - **States should, pursuant to Section 258, be encouraged to enforce FCC regulation, but should not be permitted to establish inconsistent additional rules**
 - **States should be permitted, within the framework of enforcement of FCC regulations, to impose additional restrictions, verification or disclosure requirements, and penalties on serious offenders**

THIRD PARTY PIC ADMINISTRATION

- **MCI SUPPORTS THIRD PARTY PIC ADMINISTRATION**
 - **Necessary because of fundamental changes in industry competitive landscape**
 - **LEC cannot remain in control of key order processing and customer information elements as agent for IXC's**
 - **Numerous examples of LECs engaging in anticompetitive activity facilitated by role at the heart of customer order processing**